



COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
February 25, 2008
5:00 P.M.
Council Office

COUNCIL MEMBERS PRESENT:

D. Sterner, S. Marmarou, J. Waltman, S. Fuhs, M. Goodman-Hinnershitz, M. Baez, V. Spencer

OTHERS IN ATTENDANCE:

C. Younger, L. Churchill, C. Kanezo L. Kelleher, A. Mukerji, C. Jones, P. Gallanti, A. Shuman

Vaughn Spencer, President of Council, called the Committee of the Whole meeting to order at 5:00p.m.

I. Medical Arts Building

Mr. Spencer began the meeting by noting his prior request to table a resolution authorizing the transfer of the Medical Arts Building. Mr. Spencer explained his request was due to questions raised by the Economic Development Manager, Adam Mukerji. Mr. Spencer invited Mr. Mukerji to present his questions to Council.

Mr. Mukerji stated the primary issue concerning the transfer of the Medical Arts Building is a legal issue. Mr. Mukerji suggested Mr. Younger would be better qualified to discuss the details of the legal situation. Mr. Younger stated Mr. Gallanti wished to acquire the Medical Arts Building on the same terms that were made to the current owner, William McMahon. According to Mr. Younger, the present agreement with Mr. McMahon is in default, due to Mr. McMahon's inability to satisfy the required interest payments.

Mr. Mukerji explained two loans were provided to Mr. McMahon through application of Federal funds. The primary loan was structured to include a gradual forgiveness over a period of fifteen years, unless the property was transferred at which time the balance could be called. Mr. Mukerji further explained that the City was placed in the first lien position, due to the satisfaction of another loan held by Royal Bank. Mr. Younger advised Council that by approving the requested transfer, the City would assume a second lien position.

Mr. Sterner expressed concern that the City might suffer a financial loss as part of the proposed deal. Mr. Sterner felt it was preferable to keep the City in a first lien position. Mr. Waltman countered that it was better to provide favorable terms to a new and promising business. Mr. Waltman agreed that the

situation was not ideal; however, leasing space in the City was preferable to allowing another building to deteriorate. Mr. Younger and Mr. Mukerji agreed it was preferable for the City to be in a first lien position.

Mr. Shuman, representing Shuman Development Group, noted other buyers are interested in the property; these interests would be able and willing to satisfy the outstanding loan balances. Mr. Shuman warned that these other interests were not committed to the restoration of the property and would only be interested in turning the property over for profit. Mr. Shuman also noted the City would lose control over the future of the Medical Arts Building by allowing other interests to acquire the property. Mr. Shuman emphasized the commitment Mr. Gallanti has shown to developing a profitable and successful business in Reading.

Mr. Spencer questioned the prospective buyer, Mr. Gallanti, about the work involved in developing a property like the Medical Arts Building. Mr. Gallanti indicated he was prepared to complete the work begun by the current owner and was further prepared to assume complete financial responsibility for additional renovations. Mr. Gallanti proposed to relocate his own business to the first two floors of the building and gradually renovate the remaining floors. Mr. Gallanti felt comfortable in his ability to lease out space. Mr. Spencer questioned if Mr. Gallanti was in a position to provide adequate parking for his employees; he noted that parking spaces are becoming a valuable commodity in Reading. Mr. Gallanti responded that he leased spaces for employees, in the Abraham Lincoln garage from the Parking Authority. He added that additional spaces near the building could serve clients.

Mr. Spencer thanked Mr. Gallanti for meeting with City Council; he indicated a decision would likely be rendered during the Regular Meeting. Mr. Gallanti invited the members of City Council to contact him with any questions.

II. Reorganization

Mr. Churchill explained the proposed reorganization would return the administrative structure back to the form that existed in 2004. The intent of the reorganization was to bring the entire administration into compliance with the Charter Board's interpretation of the residency requirement found in the Home Rule Charter. Mr. Churchill emphasized that it is his personal belief that the City must achieve compliance in order to end an ongoing, resource draining, legal standoff.

Mr. Waltman remarked that he had grown tired of chasing residency and felt the Administration should develop an organizational structure that reflected administrative requirements. Mr. Waltman noted the present organization was an example of sound public management principles and should not be abandoned. Mr. Waltman stated residency should be obtained if required by the Home Rule Charter; he further stated he would support a ballot initiative to amend the Charter to define the personnel must achieve residency.

Ms. Goodman-Hinnershitz questioned why the Administration was proposing to reorganize various reporting relationships. Mr. Churchill stated the Charter Board ruled that the requirement of residency shall apply to management personnel reporting to the Managing Director without any intercessory level of supervision. Mr. Churchill remarked that such an interpretation requires a number of operations to be folded back into larger departments. The proposed reorganization would accomplish the following:

- Place Information Technology and the Customer Services Center in the Finance Department;
- Place the Office of Neighborhood Development, Zoning and Codes Enforcement in the Police Department;

- Place the Human Relations Commission in the Human Resources Department;
- Removed the existing Economic Development Manager, placing economic development activities under the supervision of the Redevelopment Authority.

Ms. Goodman-Hinnershitz objected to adjusting an entire organization due the specific circumstances of one individual; she felt the Administration should work to achieve compliance with the Charter through more direct means.

Mr. Sterner asked what options the Administration would pursue in the event the reorganization was not approved by City Council. Mr. Churchill replied that the reorganization was the only option the administration was considering. Mr. Churchill indicated that staff would likely resist becoming residents. Mr. Sterner stated he would support the proposed reorganization as it was the only option that finally settled residency.

Mr. Spencer urged the members of Council to consider the impact their decision would have a number of employees. Mr. Spencer noted that opposing the reorganization would cost jobs. Mr. Fuhs questioned how many employees would be affected by the decision. Mr. Churchill stated four employees would be affected by the decision.

Mr. Spencer questioned how members of Council could provide their support for previous reorganizations – on the grounds that the Administration should be free to determine the best possible organizational structure – and oppose the current proposal. Mr. Spencer requested Mr. Younger discuss the present legal situation.

Mr. Younger stated the City has appealed the recent Commonwealth Court decision; however, there is no guarantee the State Supreme Court will agree to hear the case. If the Supreme Court declines to hear the case the ruling of the Commonwealth Court will stand. Mr. Younger declined to provide further comment due to the possibility of further litigation.

III. Escrow Account

Mr. Younger stated the Mayor proposed to allocate funds received from the sale of Antietam to various initiatives including City Park and Pagoda improvements.

Mr. Spencer suggested Council consider tabling the ordinance until the City was actually in possession of the promised funds. Mr. Marmarou agreed noting it was unwise to make premature financial decisions.

Mr. Fuhs stated he would not be able to support allocating funds to park and recreation activities, due to the overall financial climate of the City. Mr. Fuhs remarked on the need for improved priorities and greater focus. Ms. Goodman-Hinnershitz disagreed, stating Council should consider the long term costs of restoring City Park and the Pagoda.

Mr. Younger was asked to complete the ordinance and submit it for Council review.

III. Executive Sessions

City Council entered executive session at 6:35p.m. to discuss personnel matters. At the conclusion of the executive session the meeting was adjourned.

Respectfully Submitted

By: _____
Linda A. Kelleher, City Clerk